

SELECT HARVESTS 2011 AGM: Chairman's Address

Introduction

Ladies and Gentlemen,

Welcome to the 2011 Annual General Meeting of Select Harvests Limited.

My name is Curt Leonard and as your Chairman, I will be conducting today's meeting. Thank you for taking the time to be here today.

In a moment I will talk to you about the journey we have been on and the Company's progress during the year. I will then ask John Bird, your Chief Executive Officer, to provide us with an operational update before we move into the formal business of the meeting.

On a house-keeping note we will make time for general questions following John's presentation. We will also make time for specific questions regarding each of the resolutions during the formal part of the meeting, so if you have any questions about the resolutions, we will be happy to answer them then.

Before we get onto that please allow me to introduce your Board members. Accompanying me on stage are Fred Grimwade, Ross Herron, Michael Carroll and John Bird.

We are also joined by Michael Iwaniw, who was appointed to the Board in June. Michael has 40 years experience in Australian agribusiness and was CEO of the Australian Barley Board for 20 years. I will ask Michael to introduce himself formally when we come to the board appointment resolutions later in the meeting.

Michael's appointment further demonstrates our commitment to Board renewal, following the appointment of Fred Grimwade in July last year. We welcome the fresh perspectives and expertise that they bring to our business.

Next to John is our Chief Financial Officer and Company Secretary, Paul Chambers. I would like to welcome Bart Oude-Vrielink from our lawyers Minter Ellison and John O'Donohue from PricewaterhouseCoopers, our auditors.

As a continuum of board renewal I need to inform you that I tendered my resignation as Chairman at our scheduled Board meeting this morning. This resignation will come into effect at the close of this Annual General Meeting.

As a top 10 shareholder I am not happy with our share price and having listened to other shareholders I believe this is best for Select Harvests.

The Board now has the task of selecting a new Chair and I would plan to stay on the Board for 3 months to ensure a smooth transition. I will remain a major shareholder committed to the success of Select Harvests.

Context

Before I start talking about the performance of the business this year and our strategy moving forward, I think it's worth reminding ourselves of the journey we have been on over the last couple of years.

Just two years ago when I spoke to you the business faced considerable uncertainty after our biggest customer, Timbercorp, went into administration. This was caused by the ramifications of the global financial crisis and was part of a broader collapse of the MIS schemes upon which our company relied. It became very clear that we needed to take some bold steps to protect our business and take control of our own destiny.

At that time our immediate priority was to stabilise the business. We did that by maintaining the Timbercorp orchards through a sale process and we were able to secure a three year contract with the buyer of those orchards, Olam.

We then needed to evolve our strategy to reflect the structural change in the industry.

We knew that underpinning our business was unrivaled experience in the industry, an integrated business model, and routes to domestic and export

markets. We needed to leverage those strengths. At the same time orchards were becoming available at attractive prices, many below replacement value.

Our strategy evolved from being primarily a manager of almond orchards, with an annuity type income stream, to being a manager and owner of almond orchards with access to the entire almond value chain. The ownership model requires more capital than the management model and as a result required us to look at additional funding for the business which I will cover in more detail shortly.

While we have made excellent progress with our strategy, the structural changes to our industry and a number of external factors have impacted both our business's performance and the Company's share price.

I acknowledge your disappointment with the share price. All of us sitting up here today are shareholders and we share your disappointment. Our focus as a Board is on making sure the business has the right strategy in place and that it is well executed. We have great confidence that the execution of our strategy, coupled with positive external factors will deliver an improvement in earnings and over time that will lead to the market re-rating our share price.

Now to review the year.

FY11 Performance

In 2011 we have made strong progress in our strategy of expanding Company Orchards and diversifying our business. This was achieved against a backdrop of some of the most difficult operating conditions we have experienced.

External pressures this year included adverse climatic conditions during the growing period, some of the wettest harvesting conditions experienced in over sixty years, and an Australian dollar that appreciated by over 30% during the period.

We weren't alone in facing these pressures. 2011 has been a tough year across the industry and there is no doubt that our financial performance has been disappointing.

It was the second year of adverse growing conditions some of which were simply unprecedented. The combined effect of a lower crop quality, as a result of the wet harvest conditions, and the strong Australian dollar was such that the crop was 30% below standard industry yields, and the almond price 12% below that achieved in the previous financial year.

Net Profit After Tax for the year was \$17.7 million and up on the previous year. Excluding the upwards revaluation of orchards bought during the period, and other one off items, NPAT was \$12.5 million.

The final fully franked dividend of 3c per share took our dividend for the year to 13c per share. This reflects our confidence in the business, the profit performance during the year and the Board's intention to balance shareholder returns while retaining sufficient funds to invest in the business.

Progress on strategy

I would now like to talk to you about the progress we have made in executing our strategy to expand and diversify our orchard portfolio. In fact we've come a long way in a short space of time.

We have made considerable progress towards our strategy this year so that we are now on track to a quadrupling of our Company Orchards from 3,400 acres in 2009 to 13,100 acres when Stage 2 planting of Western Australia is completed. We are well on the way to accomplishing what we set out to achieve.

Nevertheless it was with some disappointment that we learnt this year that Olam did not intend to extend its Almond Orchard Management Agreement beyond the 2012 crop. Olam has stressed that this decision is in keeping with its global strategy to manage all of its nut businesses.

Securing that initial three year Olam contract, as much as anything, bought us time to diversify our business. As a standalone almond producer our focus now is on delivering growth and returns to our shareholders and we have come a long way in putting the building blocks in place to achieve that.

We have established an enviable orchard portfolio with the maturity profile of our established orchards likely to deliver significant volumes growth in years to come. A return to standard yields would see a substantial increase in volumes and cash generation from those orchards. At the same time longer term growth is supported by our greenfield development in Western Australia. WA has the added benefit of further diversifying our earnings.

Capital Structure

The transformation in our Company has required that we invest funds not only in acquiring orchards but also to support the crop cycle and long-term quality earnings growth.

After a review of our capital requirements we successfully completed a \$45 million capital raising in September 2010. More recently we have further strengthened our capital structure with the agreement of a new debt facility of up to \$115 million, which gives us increased flexibility to support investment in growth.

This year's investing cash flows reflect our expansion of Company Orchards. Investment of \$66 million during the period included \$25 million in acquisitions, \$20 million in our greenfield development in Western Australia and a further \$14 million in tree development across our owned orchards.

People

I mentioned earlier the building blocks we have put in place over the last two years. A key strength of Select Harvests is our capability across the almond value chain, from establishing and managing orchards, to processing and added-value processing and selling almonds to domestic and international markets.

Given the significant structural changes which have taken place across the industry, and the evolution and implementation of our strategy, the Board is very conscious of the need to ensure that we have a pay and incentive structure that aligns the management team's interests with those of shareholders and enables us to effectively retain and incentivize our team.

It is for that reason that your Board undertook a review of our incentive plans and as part of that process sought the advice of a leading external remuneration advisory firm.

As a result of that work we have this year proposed some changes to our executive remuneration structure which Michael Carroll, Chairman of our Remuneration Committee will elaborate on in more detail shortly.

Our objective has been to put in place an incentive scheme which is both effective at retaining and incentivizing our team and closely aligns their interests with those of shareholders.

As we move forward with a compelling growth strategy, we remain committed to attracting and retaining talent across our business.

Outlook

I am personally very positive about the future for Select Harvests.

The fundamentals of global almond supply and demand are compelling and the size of the opportunity remains attractive.

We have put the building blocks in place to support long-term sustainable growth. We are executing our strategy to expand and diversify our orchard portfolio.

While the focus for us now is on bedding down the growth we have been able to achieve and on realizing the potential in the assets we own, we will remain alive to opportunities to expand our total acreage where we have the capacity to do so.

We will leverage our integrated business model and established routes to national and international markets. Already over 70% of our volumes are exported overseas and we are ideally placed to serve the expanding Asian markets.

We will continue to target processing volumes for our state-of-the-art processing facility which is ideally placed to meet an anticipated shortfall in processing capacity in the Australian market.

On behalf of the Board and shareholders, I would like to thank John Bird and the management team for their dedication and commitment in putting strong foundations in place to position Select Harvests for future growth. I would also like to thank you our shareholders for your ongoing support during a difficult period for the business.

With that I'd ask John to say a few words.